

Mr. David Culpepper, Senior Reimbursement Analyst
Paragon Health Network, Inc.
One Ravinia Drive, Suite 1500
Atlanta, Georgia 30346

Re: AC# 3-PGV-C5 – GCI Prince George, Inc., d/b/a Prince George Healthcare
Center

Dear Mr. Culpepper:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period September 30, 1994 through March 31, 1995. That report was used to set the rate covering the contract periods beginning April 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**GCI PRINCE GEORGE, INC.,
d/b/a PRINCE GEORGE HEALTHCARE CENTER**

GEORGETOWN, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING APRIL 1, 1995
AC# 3-PGV-C5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 1998

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Prince George, Inc., d/b/a Prince George Healthcare Center, for the contract periods beginning April 1, 1995 and for the six month cost report period ended March 31, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Prince George, Inc., d/b/a Prince George Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Prince George, Inc., d/b/a Prince George Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 27, 1998

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

PRINCE GEORGE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning April 1, 1995
AC# 3-PGV-C5

	<u>04/01/95-</u> <u>09/30/95</u>	<u>10/01/95-</u> <u>03/31/96</u>	<u>04/01/96-</u> <u>09/30/96</u>
Interim reimbursement rate (1)	\$76.37	\$78.82	\$78.82
Adjusted reimbursement rate	<u>67.76</u>	<u>68.92</u>	<u>68.92</u>
Decrease in reimbursement rate	\$ <u>8.61</u>	\$ <u>9.90</u>	\$ <u>9.90</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 1997

PRINCE GEORGE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1995 Through September 30, 1995
AC# 3-PGV-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.61	\$34.52	\$37.30	\$34.52
Dietary	<u>.55</u>	<u>6.70</u>	<u>7.83</u>	<u>6.70</u>
Subtotal	<u>\$3.16</u>	41.22	45.13	41.22
Laundry/Housekeeping/Maint.	\$1.00	4.07	6.65	4.07
Administration & Med. Rec.	<u>.26</u>	<u>6.79</u>	<u>7.05</u>	<u>6.79</u>
Subtotal	<u>\$1.26</u>	52.08	<u>\$58.83</u>	52.08
<u>Costs Not Subject to Standards:</u>				
Utilities		1.94		1.94
Special Services		-		-
Medical Supplies & Oxy.		.10		.10
Taxes and Insurance		1.82		1.82
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$55.94</u>		55.94
Inflation Factor (4.50%)				2.52
Cost of Capital				7.25
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.26
Cost Incentive - For Gen. Serv. & Dietary				3.16
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(2.92)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$67.76</u>

PRINCE GEORGE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1995 Through March 31, 1996
AC# 3-PGV-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.68	\$34.88	\$38.26	\$34.88
Dietary	<u>.60</u>	<u>6.77</u>	<u>8.53</u>	<u>6.77</u>
Subtotal	<u>\$3.28</u>	41.65	46.79	41.65
Laundry/Housekeeping/Maint.	\$1.08	4.11	7.17	4.11
Administration & Med. Rec.	<u>1.00</u>	<u>6.86</u>	<u>7.86</u>	<u>6.86</u>
Subtotal	<u>\$2.08</u>	52.62	<u>\$61.82</u>	52.62
<u>Costs Not Subject to Standards:</u>				
Utilities		1.96		1.96
Special Services		-		-
Medical Supplies & Oxy.		.10		.10
Taxes and Insurance		1.84		1.84
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$56.52</u>		56.52
Inflation Factor (6.30%)				3.56
Cost of Capital				7.34
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.98
Cost Incentive - For Gen. Serv. & Dietary				3.28
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.76)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$68.92</u>

PRINCE GEORGE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1996 Through September 30, 1996
AC# 3-PGV-C5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
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Utilities		1.96		1.96
Special Services		-		-
Medical Supplies & Oxy.		.10		.10
Taxes and Insurance		1.84		1.84
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$56.52</u>		56.52
Inflation Factor (6.30%)				3.56
Cost of Capital				7.34
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.98
Cost Incentive - For Gen. Serv. & Dietary				3.28
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.76)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$68.92</u>

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Period April 1, 1995 Through September 30, 1995
AC# 3-PGV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 645,079	\$ 86,692 (11) 6,690 (11) 3,133 (14)	\$ 134 (5) 6 (5) 1,800 (9) 94,794 (12) 5,634 (16) 9,473 (16) 3,243 (17)	\$ 626,510
Dietary	137,102	34,203 (14)	19 (5) 3,428 (9) 46,268 (16)	121,590
Laundry	17,443	7,331 (14)	3 (5) 5,329 (9) 6,374 (16)	13,068
Housekeeping	66,975	7,121 (11) 7,675 (14)	13 (5) 35,812 (16)	45,946
Maintenance	15,520	11,795 (14)	3 (5) 11,375 (16) 1,048 (17)	14,889
Administration & Medical Records	151,389	29,088 (14)	19 (5) 1 (5) 100 (9) 4,040 (9) 28,220 (16) 1,544 (16) 23,323 (17)	123,230
Utilities	49,600	9,054 (14)	5,912 (3) 2,219 (10) 14,797 (16) 516 (17)	35,210
Special Services	-	-	-	-

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Period April 1, 1995 Through September 30, 1995
AC# 3-PGV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	77,618	-	3,497 (6) 72,262 (9)	1,859
Taxes & Insurance	29,233	5,920 (4) 21,002 (14)	21,092 (16) 2,040 (17)	33,023
Legal Fees	-	-	-	-
Cost of Capital	129,954	6,677 (13) 2,088 (14)	504 (1) 30 (2) 1,177 (16) 4,795 (17) 715 (18)	131,498
Subtotal	1,319,913	238,469	411,559	1,146,823
Ancillary	28,211	-	-	28,211
Non-Allowable	441,045	504 (1) 54 (2) 5,912 (3) 198 (5) 3,497 (6) 86,959 (9) 2,219 (10) 94,794 (12) 181,766 (16) 34,965 (17) 715 (18)	100,503 (11) 6,677 (13) 125,369 (14)	620,079
Total Operating Expenses	<u>\$1,789,169</u>	<u>\$650,052</u>	<u>\$644,108</u>	<u>\$1,795,113</u>
TOTAL PATIENT DAYS	<u>*18,150</u>	<u>-</u>	<u>-</u>	<u>18,150</u>

*Adjusted to 98% occupancy

TOTAL BEDS 104

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Periods October 1, 1995 Through September 30, 1996
AC# 3-PGV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 645,079	\$ 86,692 (11) 6,690 (11) 3,133 (15)	\$ 134 (5) 6 (5) 1,800 (9) 94,794 (12) 5,634 (16) 9,473 (16) 3,243 (17)	\$ 626,510
Dietary	137,102	34,203 (15)	19 (5) 3,428 (9) 46,268 (16)	121,590
Laundry	17,443	7,331 (15)	3 (5) 5,329 (9) 6,374 (16)	13,068
Housekeeping	66,975	7,121 (11) 7,675 (15)	13 (5) 35,812 (16)	45,946
Maintenance	15,520	11,795 (15)	3 (5) 11,375 (16) 1,048 (17)	14,889
Administration & Medical Records	151,482	28,995 (15)	19 (5) 1 (5) 100 (9) 4,040 (9) 28,220 (16) 1,544 (16) 23,323 (17)	123,230
Utilities	49,600	9,054 (15)	5,912 (3) 2,219 (10) 14,797 (16) 516 (17)	35,210
Special Services	-	-	-	-

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1995
For the Contract Periods October 1, 1995 Through September 30, 1996
AC# 3-PGV-C5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	82,098	-	3,461 (7) 4,535 (8) 72,262 (9)	1,840
Taxes & Insurance	29,234	5,920 (4) 21,001 (15)	21,092 (16) 2,040 (17)	33,023
Legal Fees	-	-	-	-
Cost of Capital	130,250	6,677 (13) 2,087 (15)	504 (1) 30 (2) 1,177 (16) 4,795 (17) 684 (19)	131,824
Subtotal	1,324,783	238,374	416,027	1,147,130
Ancillary	23,678	-	-	23,678
Non-Allowable	440,708	504 (1) 54 (2) 5,912 (3) 198 (5) 3,461 (7) 4,535 (8) 86,959 (9) 2,219 (10) 94,794 (12) 181,766 (16) 34,965 (17) 684 (19)	100,503 (11) 6,677 (13) 125,274 (15)	624,305
Total Operating Expenses	<u>\$1,789,169</u>	<u>\$654,425</u>	<u>\$648,481</u>	<u>\$1,795,113</u>
TOTAL PATIENT DAYS	<u>*17,964</u>	<u>-</u>	<u>-</u>	<u>17,964</u>

*Adjusted to 97% occupancy

TOTAL BEDS 104

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-PGV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 1,520	
	Other Equity	15,367	
	Nonallowable	504	
	Fixed Assets		\$ 16,887
	Cost of Capital		504
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	54	
	Loan Cost		24
	Cost of Capital		30
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Nonallowable	5,912	
	Utilities		5,912
	To adjust utility expense to allowable HIM-15-1, Section 2304		
4	Retained Earnings	376	
	Taxes and Insurance	5,920	
	Accrued Property Taxes		6,296
	To adjust property taxes and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
5	Nonallowable	198	
	Nursing		134
	Restorative		6
	Dietary		19
	Laundry		3
	Housekeeping		13
	Maintenance		3
	Administration		19
	Medical Records		1
	To adjust workers' compensation expense to allowable HIM-15-1, Section 2304		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-PGV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Medical Supplies	3,497	3,497
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 4/1/95-9/30/95)		
7	Nonallowable Medical Supplies	3,461	3,461
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
8	Nonallowable Medical Supplies	4,535	4,535
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
9	Nonallowable	86,959	
	Restorative		1,800
	Dietary		3,428
	Laundry		5,329
	Administration		100
	Medical Records		4,040
	Medical Supplies		72,262
	To disallow expense due to lack of adequate documentation HIM-15-1, Section 2304		
10	Nonallowable Utilities	2,219	2,219
	To remove utilities applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-PGV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
11	Nursing	86,692	
	Restorative	6,690	
	Housekeeping	7,121	
	Nonallowable		100,503
	To reverse provider allocation of costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3		
12	Nonallowable	94,794	
	Nursing		94,794
	To remove nursing cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3		
13	Cost of Capital	6,677	
	Nonallowable		6,677
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
14	Restorative	3,133	
	Dietary	34,203	
	Laundry	7,331	
	Housekeeping	7,675	
	Maintenance	11,795	
	Administration	29,088	
	Utilities	9,054	
	Taxes and Insurance	21,002	
	Cost of Capital	2,088	
	Nonallowable		125,369
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 4/1/95-9/30/95)		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-PGV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
15	Restorative	3,133	
	Dietary	34,203	
	Laundry	7,331	
	Housekeeping	7,675	
	Maintenance	11,795	
	Administration	28,995	
	Utilities	9,054	
	Taxes and Insurance	21,001	
	Cost of Capital	2,087	
	Nonallowable		125,274
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D (This adjustment applies only to the contract periods 10/1/95-9/30/96)		
16	Nonallowable	181,766	
	Nursing		5,634
	Restorative		9,473
	Dietary		46,268
	Laundry		6,374
	Housekeeping		35,812
	Maintenance		11,375
	Administration		28,220
	Medical Records		1,544
	Utilities		14,797
	Taxes and Insurance		21,092
	Cost of Capital		1,177
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
17	Nonallowable	34,965	
	Nursing		3,243
	Maintenance		1,048
	Administration		23,323
	Utilities		516
	Taxes and Insurance		2,040
	Cost of Capital		4,795
	To adjust home office cost allocation to allowable HIM-15-1, Sections 2304 and 2150		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1995
AC# 3-PGV-C5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
18	Nonallowable Cost of Capital	715	715
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 4/1/95-9/30/95)		
19	Nonallowable Cost of Capital	684	684
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the contract periods 10/1/95-9/30/96)		
	TOTAL ADJUSTMENTS	<u>\$801,269</u>	<u>\$801,269</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

PRINCE GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 1995
For the Contract Period April 1, 1995 Through September 30, 1995
AC# 3-PGV-C5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.8981</u>	<u>1.8981</u>	<u>1.8981</u>	
Deemed Asset Value (Per Bed)	29,644	29,644	29,644	
Number of Beds	<u>44</u>	<u>44</u>	<u>16</u>	
Deemed Asset Value	1,304,336	1,304,336	474,304	
Improvements Since 1981	13,989	8,485	2,398	
Accumulated Depreciation at 3/31/95	<u>(149,272)</u>	<u>(74,127)</u>	<u>(4,586)</u>	
Deemed Depreciated Value	1,169,053	1,238,694	472,116	
Market Rate of Return	<u>0.075</u>	<u>0.075</u>	<u>0.075</u>	
Total Annual Return	87,679	92,902	35,409	
Number of Days in Period	<u>183/365</u>	<u>183/365</u>	<u>151/365</u>	
Adjusted Annual Return	43,960	46,578	14,649	
Return Applicable to Non-Reimbursable Cost Centers	(2,961)	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	40,999	46,578	14,649	
Depreciation Expense	17,475	9,720	2,986	
Amortization Expense	-	-	268	
Capital Related Income Offsets	-	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,177)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	57,297	56,298	17,903	131,498
Total Patient Days (Minimum 98% Occupancy)	<u>7,891</u>	<u>7,891</u>	<u>2,368</u>	<u>18,150</u>
Cost of Capital Per Diem	\$ <u>7.26</u>	\$ <u>7.13</u>	\$ <u>7.56</u>	\$ <u>7.25</u>

PRINCE GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 1995
For the Contract Periods October 1, 1995 Through September 30, 1996
AC# 3-PGV-C5

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.9778</u>	<u>1.9778</u>	<u>1.9778</u>	
Deemed Asset Value (Per Bed)	30,889	30,889	30,889	
Number of Beds	<u>44</u>	<u>44</u>	<u>16</u>	
Deemed Asset Value	1,359,116	1,359,116	494,224	
Improvements Since 1981	13,989	8,485	2,398	
Accumulated Depreciation at 3/31/95	<u>(149,272)</u>	<u>(74,127)</u>	<u>(4,586)</u>	
Deemed Depreciated Value	1,223,833	1,293,474	492,036	
Market Rate of Return	<u>0.072</u>	<u>0.072</u>	<u>0.072</u>	
Total Annual Return	88,116	93,130	35,427	
Number of Days in Period	<u>183/365</u>	<u>183/365</u>	<u>151/365</u>	
Adjusted Annual Return	44,179	46,693	14,656	
Return Applicable to Non-Reimbursable Cost Centers	(2,976)	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	41,203	46,693	14,656	
Depreciation Expense	17,475	9,720	2,986	
Amortization Expense	-	-	268	
Capital Related Income Offsets	-	-	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,177)</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	57,501	56,413	17,910	131,824
Total Patient Days (Minimum 97% Occupancy)	<u>7,810</u>	<u>7,810</u>	<u>2,344</u>	<u>17,964</u>
Cost of Capital Per Diem	\$ <u>7.36</u>	\$ <u>7.22</u>	<u>7.64</u>	\$ <u>7.34</u>